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Director

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October 29, 2007

To: Supervisor Zev Yaroslavsky, Chairman
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From: Patricia S. Ploehn, LCSW
Director

DP

PROCUREMENT, ADMINISTRATIVE, AND BUDGET OPERATIONS IMPROVEMENTS

This is to provide an update on recent improvements implemented in the procurement, administrative, and budget operations of the Department of Children and Family Services (DCFS). These improvements were prompted, in part, by three recent occurrences: the August 2007 Auditor-Controller report on the Department's procurement practices; the September 2007 Auditor-Controller report on the Department's personnel and payroll operations; and, the Department's discovery of discrepancies in its present fiscal year budget as discussed at the September 25, 2007 Board meeting. We have implemented rapid and meaningful measures to address these three issues, and, while our corrective action continues, it is an appropriate time to inform you of these measures.

PROCUREMENT OPERATIONS

At the request of DCFS, the Auditor-Controller conducted a comprehensive audit of our procurement operations. In response to the Auditor-Controller's report, we determined the Procurement and Forms Management Section manager position should be upgraded from an Administrative Service Manager (ASM) II position to an ASM III. This upgraded position is warranted to provide a higher level of management and accountability over the section. Also, to increase the oversight and implement needed controls, we redirected an existing budgeted ASM II position to Procurement and plan to identify another position within our current staffing comparable to ASM II to redirect to the section. The addition of the two ASM II level managers to Procurement will allow the necessary separation of procurement duties according to standard County practices.

A number of quality assurance measures are also being implemented. Such as:

"To Enrich Lives Through Effective and Caring Service"

- Our Department contacted all County Department Heads requesting assistance (e.g., with developing automated systems and written procedures, and loaning selected staff) to help us strengthen our internal administrative processes;
- In response to DCFS' request for assistance from other County departments, the following generous offers have been received:
 - The Department of Public Social Services (DPSS) offered to provide assistance in training on caseload projections and to share its available projection tools.
 - The Department of Public Works (DPW) offered to demonstrate three automated systems they use in their human resources/labor relations operations. Additionally, they offered to share their written procedures in the areas of surplus property, equipment control, accounts payable, procurement, personnel, and health and safety.
 - The Internal Services Department (ISD) has provided much guidance and direction on handling surplus property, and agreed to loan DCFS a truck and driver to relocate goods from the storage area at the location formerly known as MacLaren Children's Center to regional offices.
 - The Internal Services Department has provided eCAPS (i.e., the Countywide purchasing/payment system) and "Procurement 101" training to Procurement staff and managers. The Department's Training Section will conduct follow-up training to ensure staff has a thorough understanding of eCAPS.
 - The Probation Department provided guidance on handling surplus property and information on their bar code inventory system. They also agreed to allow four staff to work overtime to assist with removing surplus property from the MacLaren storage area.
 - The Department of Human Resources (DHR) has offered assistance in expediting our current and pending disciplinary matters.
- The development of a monthly procurement management report;
- A three-level approval process for all purchase requests;
- The development of checklists for staff to use to confirm all purchase requests adhere to applicable County procurement procedures;
- The review of a random sample of 5% of monthly purchases to ensure the purchases complied with applicable County procedures (this review will be conducted by the quality assurance manager discussed below);
- We confirmed each Procurement staff member has a link to the website for the County Fiscal Manual and ISD Procurement Policy. Staff members were instructed to review these sites regularly to ensure they stay up-to-date on fiscal and procurement policies;
- All gift cards in our regional offices have been collected and placed with one Deputy Director for future distribution. Gift cards are used for limited purposes, such as, to buy food and clothing on an emergent basis for children in contact with our Emergency Response staff, or for needy youth transitioning out of foster care. Some gift cards deemed surplus were returned to the vendor for refund. All gift cards will be placed in a perpetual inventory (defined below);
- The control of Blackberries, cell phones, pagers and thumb drives (i.e., small portable memory storage devices) has been centralized in the office of a Deputy Director to ensure they are secured, distributed appropriately and accounted for in a perpetual inventory; and,

- The investigations of persons that may have been involved in misconduct in our procurement operations are in various stages of completion. Information on disciplinary actions can be provided once discipline has been imposed.

To implement fully the measures above, we are developing the following tools:

Perpetual Inventories: A perpetual inventory is an accounting method of maintaining up-to-date property records that accurately reflect the level of goods on hand. We are reviewing automated perpetual inventory systems for fixed assets, controlled equipment, portable equipment, and supplies. The Department is exploring using a bar code inventory system for fixed assets, controlled equipment and portable equipment and has reviewed the system used by Probation. A manual inventory system is being implemented until an automated system can be identified and acquired.

Automated Tracking Systems: We are also reviewing an automated system to track the procurement of goods and services from the point of a request for goods/services to the receipt and payment with a management reporting component. The Auditor-Controller has approached DCFS and we are in discussion regarding our inclusion in the eCAPS procurement module pilot in July 2008. As mentioned above, at the request of the Department, other County departments are sharing automated tracking/control systems they have in the areas of procurement, accounting and personnel/payroll.

Written Procedures: We are revising our internal practices to ensure they conform to standard County procedures. To assist us, other County departments are providing copies of their written procurement, accounting, and payroll/personnel procedures.

ADMINISTRATIVE (PERSONNEL & PAYROLL) OPERATIONS

The Auditor-Controller's report found some of our Department's managers and employees did not follow standard County procedures related to personnel and payroll processes (e.g., overtime approval, leave accounting, timekeeping and payroll systems). To address these problems, we took the following actions:

- We asked the Auditor-Controller to provide training to our payroll/personnel staff;
- We are reviewing three automated human resource/labor relations systems used by the DPW to see if their systems could be used to address our needs, and reviewing other written procedures for accounts payable, procurement, personnel, and health and safety;
- Written procedures are underway for a number of areas in payroll/ personnel and ensuring such procedures address the areas noted by the Auditor-Controller; and,
- As part of the quality assurance process mentioned in the Procurement section above, we will also review a monthly sample of 5% of our payroll transactions to ensure the transactions are in line with standard County procedures.

An existing budgeted position has been identified for development of a quality assurance function and redirected to report to the Deputy Director. This position will conduct the monthly random sampling for both the personnel/payroll and procurement processes. The Department is in the process of filling the position. We estimate it will be two months after the filling of this

position before the sampling tools and process are developed and the first random sampling is conducted.

BUDGET OPERATIONS

To ensure we do not have a recurrence of the discrepancies recently discovered in this fiscal year's budget, I have placed my Chief Deputy Director on special assignment to thoroughly review all elements of the FY 2007-08 Budget and confirm the expenditure and revenue assumptions we are now using are accurate. This review is critical in order to make certain our Department stays within its FY 2007-08 Adopted Budget and ensure development of the FY 2008-09 Budget Request is based on reliable information. This special assignment will continue until our budget operations have demonstrated that accurate information is being provided to the Board and Chief Executive Office. Also, to increase management oversight for our fiscal operations, in June 2007, a Division Chief was reassigned to manage the newly created Fiscal Operation Division (i.e., Appropriations, Revenues/Assistance, Accounting Services, and Fiscal Monitoring and Special Payments sections). To promote accountability and accurate data reporting, a Monthly Management Report has been developed and implemented in the Accounting Services Section.

The following actions have been taken to improve the performance and management of our budget services:

- A full day budget training is being scheduled and will include a review of effective tools and practical examples of how to do a quality budget analysis;
- The Department of Public Social Services will provide training on caseload projections and use of its projection and budgeting tools;
- Budget staff will receive refresher training in Excel (i.e., a software program for preparing budget spreadsheets), with a particular focus on how to use pivot tables (i.e., a feature of Excel that sorts data and produces tables, charts and graphs to facilitate analysis);
- We contacted child welfare fiscal managers in other key counties, the California Department of Social Services, and the administrative staff of the County Welfare Directors Association. These contacts have made themselves available for consultation to assist in improving the quality of our budget analysis;
- We are exploring contracting with a consultant to provide additional expertise for improving our budget operations;
- We are researching the availability of off-the-shelf software that will enable staff to do more precise budget analysis, and publications that provide ready reference materials for budgeting; and,
- We are working with the DHR to expedite the posting and hiring of a Deputy Director (S-15) over our Bureau of Finance and Administration.

CLOSING

Fortunately, these matters did not slow the great strides this agency has made in improving outcomes for children. For example, we have continued to reduce the number of children in out of home care, increased the use of kinship homes, and reduced the length of time it takes for children to be reunited with their families or be adopted. Our Department is determined to

correct the noted issues and ensure they do not hinder our ongoing improvements in outcomes for our children and families. We will continue to implement corrective measures and enhance our internal processes to instill full confidence in the fiscal and administrative integrity of our agency.

Please contact me if you have any questions, or your staff may contact Armand Montiel, of my staff, at (213) 351-5530. Thank you.

PSP:am

C: Chief Executive Officer
County Counsel
Auditor-Controller
Director of Personnel
Director, Internal Services Department
Chief Probation Officer
Director, Public Social Services
Director, Public Works
Deputy Chief Executive Officer, Children and Families' Well-Being